

Message Text

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SUBJECT: BRIEFING PAPER FOR ASSISTANT SECRETARY
ENDERS' VISIT TO STOCKHOLM: EC-CANADIAN ECONOMIC AGREEMENT

FOR ASSISTANT SECRETARY ENDERS

(DRAFTED:EB/OT/TA:DGRIMMER

CLEARANCES:TREASURY:COUELETTE; COMMERCE:MPRUIETT; STR:ELAPP;
EUR/RPE:RBRESLER; EUR/CAN:DBLAKEMORE; EB/OT:CWSCHMIDT)

BACKGROUND:

RECENT EC-CANADIAN RELATIONS HAVE BEEN DOMINATED BY A
CANADIAN PROPOSAL TO ESTABLISH A "CONTRACTUAL LINK"
WITH THE EC. THE CANADIAN INITIATIVE, WHICH ORIGINATES
FROM EARLY 1974, REPRESENTS AN IMPORTANT ELEMENT IN THE
CANADIAN POLICY TO DIVERSIFY ITS FOREIGN RELATIONS.

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ORIGINALLY CANADA PROPOSED A "CONTRACTUAL LINK" WHICH

WOULD INTER ALIA, ..."PROVIDE FOR CONSULTATIONS ...
WHICH MIGHT CONTRIBUTE TO THE DEVELOPMENT AND
STRENGTHENING OF ECONOMIC AND COMMERCIAL RELATIONS
BETWEEN THE TWO COUNTRIES.

SINCE THE EC AND CANADA CURRENTLY HOLD SEMI-ANNUAL
CONSULTATIONS AT THE SENIOR OFFICIAL LEVEL PURSUANT TO
AN INFORMAL UNDERSTANDING, IT APPEARS THAT CANADA IS
SEEKING A MORE FORMAL CONSULTATIVE MECHANISM. THE
EUROPEANS GENERALLY SYMPATHIZE WITH THE CANADIAN
DESIRE TO DEVELOP CLOSER RELATIONS WITH THE EC, ALTHOUGH
SOME (NOTABLY THE UK AND FRANCE) HAVE RESERVATIONS ABOUT
ANY AGREEMENT WHICH WOULD MERELY ECHO THE PROVISIONS
OF THE GATT. ANY AGREEMENT WITH CANADA WOULD SET THE
PRECEDENT FOR EC AGREEMENTS WITH OTHER INDUSTRIALIZED
COUNTRIES.

CURRENT EC AND CANADIAN THINKING IS REPORTEDLY
GRAVITATING TOWARD A NON-PREFERENTIAL "FRAMEWORK"
AGREEMENT WHICH WOULD ENVISAGE COOPERATIVE EFFORTS IN
TECHNICAL/INDUSTRIAL AREAS. SUCH AN AGREEMENT
WOULD INCORPORATE INSTITUTIONALIZED CONSULTATIONS
AND A LIST OF SUBJECTS ON WHICH COOPERATION WOULD TAKE
PLACE, SUCH AS ENERGY RESEARCH, FORESTRY, MINERAL
EXPLOITATION AND MINING. BOTH PARTIES HAVE STATED THAT
ANY AGREEMENT WOULD HAVE TO BE CONSISTENT WITH THE GATT,
OECD AND OTHER INTERNATIONAL TREATIES. NOW THAT
ENGLAND AND FRANCE HAVE APPARENTLY DROPPED THEIR COMPLAINT
ABOUT THE APPROPRIATENESS OF THE EC COMMISSION'S TALKS
WITH THE CANADIANS, FORMAL NEGOTIATIONS ON AN AGREEMENT
MAY START SOON AFTER THE EC COMMISSION REPORTS TO THE
COUNCIL IN EARLY DECEMBER.

IT IS CLEAR THAT CANADA IS SEEKING TO LESSEN
ITS ECONOMIC INTERDEPENDENCE WITH THE US. HOWEVER,
IT IS QUESTIONABLE WHAT EFFECT -- IF ANY -- AN AGREEMENT
WOULD HAVE ON CURRENT PATTERNS OF TRADE AND INVESTMENT.
SINCE CANADA IS RESPONDING TO POLITICAL PRESSURES TO
DIVERSIFY ITS FOREIGN RELATIONS, IT MAY BE THAT THE
GOC WOULD BE SATISFIED WITH A HIGHLY VISIBLE BUT LARGELY
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POLITICAL AGREEMENT.

ONE POSSIBLE AREA FOR GENERAL AGREEMENT, HOWEVER,
IS THE DEVELOPMENT OF CANADIAN RAW MATERIALS. CANADA
IS AN IMPORTANT SOURCE OF EC RAW MATERIALS, AND THE EC
IS INTERESTED IN ASSURANCES OF ACCESS TO THEM, ALTHOUGH
CANADA HAS SHOWN SOME RELUCTANCE TO DO THIS. OF COURSE,
THERE IS THE POTENTIAL FOR LONG-TERM DELIVERY CONTRACTS

IN THE PRIVATE SECTOR IN PAYMENT FOR EUROPEAN CAPITAL
AND TECHNOLOGY TO DEVELOP A SECONDARY PROCESSING INDUSTRY
FOR CANADIAN RAW MATERIALS.

THIS WOULD FURTHER THE CANADIAN POLICY OF INCREASING
CANADIAN-BASED PROCESSING, BUT IT WOULD BE UNLIKELY
THAT A GOVERNMENTAL EC-CANADIAN AGREEMENT COULD DO
MORE THAN GIVE GENERAL ENCOURAGEMENT.

US POSITION:

THE US HAS NO POLITICAL OBJECTIONS TO THE EC-CANADIAN
DISCUSSIONS, BUT WE ARE CONCERNED ABOUT THE NATURE OF
THE ECONOMIC CONTENT OF ANY AGREEMENT WHICH MIGHT BE
CONCLUDED. WE HAVE DOUBTS ABOUT THE WISDOM OF AN
AGREEMENT WHICH WOULD ENCOURAGE BILATERALISM AT A TIME
WHEN SO MANY OF OUR PROBLEMS ARE MULTILATERAL
IN NATURE AND WE ARE CONCERNED ABOUT THE IMPLICATIONS
AN AGREEMENT MIGHT HAVE FOR EXISTING INTERNATIONAL
OBLIGATIONS IN THE GATT AND OECD AND FOR NEW AREAS
OF INTERNATIONAL CONCERN SUCH AS ACCESS OF SUPPLY. KISSINGER

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